

**STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED**

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

**North Central Florida Hospice, Inc.
d/b/a Haven Hospice/CON #10371**
4200 N.W. 90th Boulevard
Gainesville, Florida 32606-3809

Authorized Representative: Jim L. Poole
President
(352) 378-2121

2. Service District/Subdistrict

Hospice Service Area 4A (Baker, Clay, Duval, Nassau and St. Johns Counties)

B. PUBLIC HEARING

A public hearing was not held or requested regarding this proposal to establish a freestanding 24-bed inpatient hospice facility in Duval County, Hospice Service Area 4A.

Letters of Support

The Agency received several support letters independently and the applicant submitted a significant number of support letters for the proposed project. Most of these letters were of a form letter variety, however, some were individually composed and some were hand-written. Most the support letters indicate a Duval County, St. Johns County or in some cases a Clay County origin. General themes in these letters address the applicant's outstanding hospice service to the area, the advantage of a home-like setting and the increased choices for hospice care that the proposed project would bring.

One support letter was from Representative Ted S. Yoho, Doctor of Veterinary Medicine, from the Congress of the United States and one was from Representative Charles Van Zant from the Florida House of

Representatives. Some of these support letters were from physicians, community leaders, skilled nursing facility (SNF) administrators/staff and church leaders, among others.

C. PROJECT SUMMARY

North Central Florida Hospice, Inc. d/b/a Haven Hospice (CON application #10371), also referenced as Haven Hospice, Haven or the applicant, a 501(c) 3, community-based, Florida not-for-profit corporation, proposes to establish a 24-bed freestanding inpatient hospice facility in Hospice Service Area 4A (Baker, Clay, Duval, Nassau, and St Johns Counties). The proposed facility location is in the general vicinity of the Town of Nocatee, near the Nocatee Parkway (CR 210), where it passes through extreme southeastern Duval County, within ZIP Code 32256¹. According to Haven, the proposed project is driven by the need for decentralization of hospice inpatient facility beds to areas of population growth/admission growth, in order to enhance access to inpatient hospice services.

Haven Hospice projects issuance of license in December 2017 and initiation of service in January 2018.

The applicant is presently licensed to operate hospice programs in Service Areas 3A, 4A and 4B. Haven's five inpatient hospice houses are located in Service Area 3A (including Alachua, Columbia, Levy and Putnam Counties) and 4A (Clay County), with the proposed project being located in 4A (Duval County).

The total project cost is \$7,911,054. Construction costs are \$3,428,740 and the project will involve 18,046 gross square feet (GSF) of new construction. Costs covered are for land, building, equipment, project development and start-up.

The applicant offers no condition(s) on the proposed project.

¹ The reviewer notes that this is a six digit number. The first five digits of this ZIP Code (32256) also appear on page 22 of the application as a primary area for the proposed project to serve.

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes, rules of the State of Florida, and Chapters 59C-1 and 59C-2, Florida Administrative Code. These criteria form the basis for the goals of the review process. The goals represent desirable outcomes to be attained by successful applicants who demonstrate an overall compliance with the criteria. Analysis of an applicant's capability to undertake the proposed project successfully is conducted by evaluating the responses provided in the application and independent information gathered by the reviewer.

Applications are analyzed to identify various strengths and weaknesses in each proposal. If more than one application is submitted for the same type of project in the same district (subdistrict or service planning area), applications are comparatively reviewed to determine which applicant best meets the review criteria.

Section 59C-1.010(3)(b), Florida Administrative Code, prohibits any amendments once an application has been deemed complete. The burden of proof to entitlement of a certificate rests with the applicant. As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the certification of the applicant.

As part of the fact-finding, the consultant, Steve Love, analyzed the application, with consultation from the financial analyst, Everett (Butch) Broussard of the Bureau of Central Services, who evaluated the financial data and Said Baniahmad of the Office of Plans and Construction, who reviewed the application for conformance with the architectural criteria.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

The following indicate the level of conformity of the proposed project with the review criteria and application content requirements found in Sections 408.035, and 408.037, and applicable rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code.

Fixed Need Pool

- a. Does the project proposed respond to need as published by a fixed need pool? Chapter 59C-1.008, Florida Administrative Code and Chapter 59C-1.0355, Florida Administrative Code.**

The Agency does not publish need for inpatient hospice beds. Hospice programs are required by federal and state law to provide hospice patients with inpatient care when needed (42 Code of Federal Regulations 418.108) and no more than 20 percent of a hospice's total patient days may be inpatient days per Section 400.609(4), Florida Statutes. Inpatient care may be provided through contractual arrangements in hospitals and nursing homes, and is generally provided on a short-term basis within the total hospice stay. Volume 2, Tab 5 of the application includes two lists showing that as of June 2015, Haven contracts with 11 hospitals and 36 nursing homes in Service Area 4A for inpatient hospice care.

The applicant is currently one of four licensed hospice providers in Service Area 4A. The others are Community Hospice of Northeast Florida, Inc., Heartland Home Health Care and Hospice and VITAS Healthcare Corporation of Florida.

Haven operates four freestanding inpatient hospice facilities in Hospice Service Area 3A and one in Hospice Service Area 4A. The applicant's facilities in Service Area 3A are located in Gainesville and Palatka (18 beds each), Chiefland and Lake City (16 beds each), with a facility in Service Area 4A located in Orange County (18 beds). In Service Area 4A, Community Hospice of Northeast Florida, Inc. has three licensed inpatient hospice facilities (all located in Jacksonville). There are no CON approved inpatient hospice houses pending licensure in Service Area 4A. The remaining Service Area 4A hospice providers offer inpatient care through contractual agreements.

Haven has offered hospice services to the residents of Service Area 4A since January 2002. The proposed freestanding hospice inpatient care center would be located in the extreme southeastern portion of Duval County, proximate to the Town of Nocatee, as shown in the applicant's map on page 13 of the application. Haven maintains that this proposed location provides enhanced accessibility to residents of the service area, especially those who live in southern Duval and northern St. Johns Counties. Haven states that the nearest existing freestanding inpatient hospice facility to the proposed location is 14 to 15 miles distant, is operated by Community Hospice of Northeast Florida, Inc. and is not an option for southeast Duval County or St. Johns County patients and families who are using Haven. The applicant asserts that all other locations are a half hour or more away.

CON Action Number: 10371

According to Haven, rapid growth in the number of persons age 65+ is significant owing to the higher mortality rate among persons in this age group. Haven contends that persons age 65+ (more so than persons under 65 years of age) are much more likely to suffer from diseases such as cancer, heart disease, pulmonary failure and dementia which form the core group of conditions leading to hospice admission. Haven states that the aging of the Service Area 4 population can be expected to produce higher mortality rates and increased utilization of hospice services in the next five years and beyond.

Haven states that the estimated July 2014 population of Service Area 4A is nearly 1.4 million persons and that the five-county area is projected to grow by 6.4 percent over the next five years, reaching a total of almost 1.5 million residents by July 2018. Haven further states that during this same period in the same area, the population age 65+ is expected to increase at a much more rapid rate--19.9 percent. This rate is stated to easily exceed the statewide average of 13.9 percent over the same time period. Conversely the applicant maintains that the under age 65 population is projected to increase by 4.2 percent. Haven indicates that growth among persons age 65+ is forecasted to account for 43 percent of total population growth within the service area.

Specific to the planned project location immediate geographic area, Haven contends that this area is experiencing robust growth--with total population expected to grow by nearly 12 percent over the five-year period, reaching nearly 245,000 persons by 2018. Further, Haven asserts that the growth of the age 65+ population is extremely high, nearly 32 percent between 2013 and 2018. The reviewer notes that this must be a projection, since actual 2018 population data is not available. Haven notes over 28,000 elderly resided in the area in 2013 and that by 2018, the age 65 and older population is expected to exceed 37,000, a gain of over 9,000 persons. The applicant states obtaining this data from the Nielsen Company and that calendar year (CY) 2013 corresponds to the latest hospice inpatient utilization data available from the Florida Department of Elder Affairs (DOEA). See the table below.

**Population Estimates and Projections
Proposed Haven Inpatient Location and Surrounding ZIP Codes
CY 2013 and CY 2018**

Age	7/2013	7/2018	Numeric Change	Percent Change
0-64	190,073	206,931	16,858	8.9%
65+	28,367	37,381	9,014	31.8%
Total	218,440	244,312	25,872	11.8%

Source: CON application #10371, page 24, Table 7

Haven states using a 7.5 mile radius and selecting a total of seven ZIP Codes (32081, 32082, 32089, 32095, 32250, 32256, 32258 and 32259) as the primary ZIP Code area for the proposed service.

Haven maintains and the reviewer confirms that Haven Hospice and Community Hospice of Northeast Florida, Inc. (Community) are the only programs currently authorized to operate freestanding inpatient hospice facilities in Service Area 4A. Haven further asserts and the reviewer confirms the following Haven Hospice and Community freestanding inpatient hospice facilities in Service Area 4A, their locations and their licensed bed counts:

Haven

- Custead Care Center--Orange Park, 18 beds

Community

- Sunbeam--Jacksonville, 38 beds
- Ramona--Jacksonville, 16 beds
- Worrall Way--Jacksonville, 16 beds

According to Haven, in 2013, its four inpatient facilities admitted 2,232 patients and provided 15,963 days of care, producing an average length of stay (ALOS) of 7.2 days and a combined occupancy rate of 64.3 percent. Haven also maintains that two of the four facilities had occupancy rates of 75 percent or higher. Hospices are not required to report inpatient hospice facility utilization to the Agency. Therefore, the Agency cannot verify the applicant's reported occupancies.

Haven briefly discusses increases in licensed and approved freestanding inpatient hospice facilities and increases in licensed bed counts statewide since 2005. Using the Agency's Florida Need Projections for Hospice Programs publication, issued April 2015, Haven indicates the following statewide current hospice penetration rates by diagnosis and age categories:

Cancer under age 65 .903
Cancer age 65 and older .993
Non-cancer under age 65 .235
Non-cancer age 65 and older .700

Using the same source and time frame, Haven provides the table below to account for total hospice admissions by diagnosis and age categories. Haven stresses that the cancer penetration rate is higher for cancer patients age 65+ compared to those under age 65. The applicant further emphasizes that the absolute number of cancer admissions to hospice is nearly three times greater among persons age 65+.

Hospice Admissions by Age and Diagnosis

Admissions				
Age	Cancer	Non-Cancer	Total	Percent
Under 65	10,570	7,489	18,059	26%
65+	29,765	71,554	101,319	74%
Total	40,335	79,043	119,378	100%

Source: CON application #10371, page 16, Table 2

Haven contends that growth and aging of the Service Area 4A population can be expected to produce higher mortality rates and increased utilization of hospice services in the next four years. The reviewer notes that the applicant uses aggregated statewide age and diagnosis data to address need specifically in its planned service area, which may or may not be consistent with statewide percentages.

The applicant states that the utilization forecast for the proposed project is based upon the following data sources:

- Haven’s 2013 and 2014 admissions in Service Area 4A per the Certificate of Need Office’s April 2014 and 2015 batching cycle publications
- Haven’s total admissions, patient days and ALOS as documented in the DOEA’s data for CY 2013
- Haven’s hospice inpatient facility admissions, patient days and ALOS as documented in the DOEA’s data for 2013

Haven offers a Utilization Forecast Worksheet (page 30 of the application) to itemize the methodology in reaching its estimates.

Haven provides projected patient days of 5,186 and 59 percent occupancy in year one and 6,106 patient days and 70 percent occupancy for year two of the proposed project. The reviewer collapsed the quarterly data to reflect only the annualized totals. See the table below.

Projected Utilization

Year	Beds	Patient Days	Percent Occupancy
One	24	5,186	59%
Two	24	6,106	70%

Source: CON application #10371, page 29, Table 8

The applicant indicates that Haven Hospice currently realizes a loss of \$40.36 per patient day when its patient is receiving inpatient care at a contracted hospital. The applicant expects that its proposed Duval County freestanding inpatient hospice facility will realize \$26.52 per patient day cost savings in year one and \$102.77 per patient day cost savings in year two. The applicant estimates a savings of \$627,514 by year two. See the table below.

**Inpatient Bed Cost Comparison
Hospitals vs. Freestanding Hospice
Service Area 4A, Duval County**

	Hospice Care Center Inpatient Day 2nd Year	Hospital Contracted Inpatient Day 2nd Year
Hospice Inpatient Revenues per Pat Day	\$693.40	\$693.40
Average Inpatient Expense per Pat Day	\$634.28	\$737.05
Difference	\$59.12	\$(43.65)
Haven Net Savings Per Patient Day, Year 2: \$102.77 X 6,106 pat days - \$627,514		

Revenue Source: Centers for Medicare and Medicaid Services Hospice Payment Rates Fiscal Year (FY) 2014 inflated two percent per year to calendar year 2019.

Source: CON application #10371, page 33

As seen in the table above, the applicant concludes that the operation of the proposed freestanding inpatient hospice facility involves lower costs per patient day (\$102.77 savings per day per patient by year two) than operations within contracted hospitals. The applicant states that a freestanding inpatient hospice facility gives the applicant more direct control of costs, continuum of care and end-of-life services.

The applicant indicates that Haven did not include SNFs in its cost comparison and explains that generally, SNFs provide inpatient services for patients who are already a resident within their facilities and are contracted to provide such services with Haven. Haven maintains that nursing homes in the service area do not typically have beds available for patients to be moved in or out of the facility for brief stays like a hospital. Haven asserts that their nursing home contracts allow patients served by Haven who also reside in the nursing home to remain there to receive inpatient care when such care becomes medically necessary. The applicant concludes that cost savings for Haven attributable to the

proposed project arise from those patients who are at home and would otherwise need inpatient placement in a hospital or who are admitted in a hospital and cannot yet go home--and would benefit from a step down level of care.

The Agency notes that the applicant's projected cost savings would be more accurate if Haven's patients who received inpatient hospice service in nursing homes were also included--this would capture the entire hospice inpatient costs and estimated savings.

Haven asserts that savings from inpatient care provided in the freestanding hospice inpatient care center can and will be applied to Haven's unfunded care for medically needy patients, patients without caregivers who need additional assistance, community bereavement programs and Haven's pediatric program. The applicant discusses these and related programs that would be impacted by savings realized from the proposed project (pages 34 – 38 of the application).

Haven Hospice contends that the applicant-specific need for more inpatient bed capacity is based primarily on:

- Population growth projections
- Tremendous growth in patient days and inpatient days
- Inconvenience in cross-town travel for a short stay, especially within a large and growing metropolitan area like greater Jacksonville

The reviewer notes that pursuant to Section 408.036 (5), Florida Statutes, the applicant can achieve more hospice inpatient bed capacity (at existing freestanding inpatient hospice facilities) through the notification process.

b. If no Agency policy exists, the applicant will be responsible for demonstrating need through a needs assessment methodology, which must include, at a minimum, consideration of the following topics, except where they are inconsistent with the applicable statutory or rule criteria:

- **Population demographics and dynamics;**
- **Availability, utilization and quality of like services in the district, subdistrict or both;**
- **Medical treatment trends; and**
- **Market conditions.**

Population demographics and dynamics

Using Agency population estimates, Haven states that the estimated July 2014 population of Service Area 4A is nearly 1.4 million persons and that the five-county area is projected to grow by 6.4 percent over the next five years, reaching a total of almost 1.5 million residents by July 2018.

Haven further states that during this same period in the same area, the population age 65+ is expected to increase at a much more rapid rate-- 19.9 percent. Haven indicates that growth among persons age 65+ is forecasted to account for 43 percent of total population growth within the service area. See the table below.

**Population Growth
Service Area 4A
July 2014 - July 2018**

Age Group			Change	
	July 2014	July 2018	Number	Percent
Under 65	1,203,087	1,254,046	50,959	4.2%
65+	191,694	229,769	38,075	19.9%
Total	1,394,781	1,483,815	89,034	6.4%

Source: CON application #10371, page 15, Table 1

Availability, utilization and quality of life services

Some of the applicant's availability, utilization and quality of life services arguments were previously discussed. However, using June 2015 Google Maps data, Haven offers the following driving miles/driving time estimates from the proposed project to existing freestanding inpatient hospice facilities in Service Area 4A:

Custead Center	26 miles	35 minutes
Sunbeam	14 miles	23 minutes
Ramona	28 miles	32 minutes
Worrall Way	18 miles	38 minutes

Using the DOEA data for CY 2013, Haven indicates separate and aggregate hospice facility locations, beds, admissions, patient days, ALOS and occupancy rates for both Agency recognized freestanding inpatient hospice facilities and other hospice facilities for Service Area 4A (page 18, Table 3 of the application). The applicant indicates an aggregate of 126 beds, 3,965 admissions and 31,913 patient days, with an ALOS of 8.0 and an overall occupancy rate of 69.4 percent.

Using DOEA data for CY 2013, Haven indicates separate and aggregate freestanding inpatient hospice facility locations, beds, admits, patient days, ALOS and occupancy rates for its adjacent Service Area 3A operations (page 18, Table 4 of the application). The applicant indicates an aggregate of 68 beds, 2,232 admits and 15,963 patient days, with an ALOS of 7.2 and an overall occupancy rate of 64.3 percent.

Haven contends that its experience in Service Areas 4A and 3A demonstrates its ability to successfully operate freestanding inpatient hospice facilities as part of its overall operations.

Medical treatment trends

Haven indicates that freestanding hospice inpatient care centers serve dying patients who cannot be cared for in their own home--these facilities originally served as a final care setting during the last few days of life. Haven finds that today, hospice inpatient facilities continue to maintain a focus on short-term, intensive medical care by the hospice team.

The applicant notes that typical care requirements for patients in the hospice inpatient facility include pain and symptom management, establishment of drug routines, patient/family education and wound care. Haven indicates that hospice inpatient facilities also provide short-stay respite care.

Haven states that during the 12 months ending in June 2014, acute care hospitals located in Service Area 4A discharged 2,805 patients to hospice. Haven contends that a substantial majority (71 percent) of patient discharges from hospital to hospice were directed to medical facilities (including freestanding hospice inpatient care centers as well as SNFs and other facilities) while 29 percent were discharged directly home (page 20, Table 5 of the application).

Haven asserts that the growing role of freestanding inpatient hospice facilities is further evidenced by the rapid growth in the number of licensed facilities and beds over the past 10 years. Haven states that there are currently 59 licensed and approved freestanding inpatient hospice facilities in the state with a total of 1,053 beds. Haven notes that in April 2005 there were 31 licensed facilities with 393 beds. Thus, Haven maintains that the number of licensed hospice inpatient facilities grew by 90 percent while the number of beds in those facilities increased by 168 percent in 10 years.

Market conditions

Haven asserts that the availability of the services offered in freestanding inpatient hospice facilities is critical to assuring the full continuum of care required by hospice patients. The applicant maintains that these facilities provide a setting for the delivery of intensive services needed by terminally ill patients who are either too ill to be cared for in a residential setting or who are transitioning back to a residential setting following discharge from an acute care hospital. Haven states that freestanding inpatient hospice facilities are also the primary venue for delivery of short-stay respite care.

Haven offers a sampling of its support letters (pages 25 – 28 of the application). The reviewer reiterates a sizable number of support letters, as indicated in Item B of this report.

2. Agency Rule Criteria and Preferences

- a. **Rule 59C-1.0355 (7) Florida Administrative Code states that the Agency will not normally approve a proposal for construction of a freestanding inpatient hospice facility unless the applicant demonstrates that the freestanding facility will be more cost-efficient than contractual arrangements with existing hospitals or nursing homes in the service area. The application shall include the following:**

- (1) **A description of any advantages that the hospice program will achieve by constructing and operating its own inpatient beds.**

Haven Hospice offers the following advantages to be achieved by constructing and operating its own freestanding hospice inpatient facility, as proposed:

- More cost-efficient
- Cost savings enhance Haven's ability to provide care to medically needy and community programs
- Haven will extend community-based services to more areas within the service area
- Freestanding hospice inpatient care has a palliative care focus

(2) Existing contractual arrangements for inpatient hospitals and nursing homes.

Haven Hospice attests to providing inpatient care in contracted beds throughout Service Area 4A at hospitals and SNFs. The applicant states contracting with 11 out of 15 (73.3 percent) acute care hospitals in Service Area 4A and with 36 of the 48 (75.0 percent) community nursing homes in the service area (see Volume 2, Tab 5 of the application for listings of hospital and nursing homes that contract with Haven in Service Area 4A, as well as a sample contract).

Haven indicates that administrative demands and costs increase as the average daily census (ADC) for contracted beds increases. Haven provides further detail on these costs as follows:

- Management of the hospice plan of care for inpatient care across the various hospitals and SNFs in the service area requires additional administrative support
- Hospice staff members are not on-site 24 hours per day in contracted facilities
- Training contracted facility personnel is particularly challenging and expensive for any hospice due to the frequent turnover of staff within contracted facilities, use of contract staff by the facilities and little continuity of staffing for hospice patients

(3) Anticipated sources of funds for the construction.

Haven Hospice states having generated more than a \$2.1 million increase in unrestricted net assets in operations for FY 2014 and having had more than \$26 million in cash, cash equivalents and investments at the end of the year. Haven indicates that sources of increase in unrestricted net assets include program fees, general contributions, fund raising activities and capital campaign contributions.

The estimated total cost of the proposed project is \$7,911,054. Haven maintains that its audited financial statements provide evidence of its ability to finance the project. Haven expects to finance the project from unrestricted cash and investments as well as current and future net cash flows.

- b. Rule 59-1.0355(8) Florida Administrative Code: Semi-Annual Utilization Reports. Each hospice program shall report utilization information to the Agency or its designee on or before July 20 of each year and January 20 of the following year.**

Haven Hospice maintains having historically provided the required utilization reports to the Agency in a timely manner and shall continue to do so in the future.

3. Statutory Review Criteria

- a. Is need for the project evidenced by the availability, quality of care, accessibility and extent of utilization of existing health care facilities and health services in the applicant's Service Area? ss. 408.035(1)(a) and (b), Florida Statutes.**

Haven Hospice maintains that the proposed project is to enhance the access to hospice-operated inpatient facilities and thus the quality of hospice care for terminally ill persons in its community.

Haven states that through the proposed project, patients can be transferred from hospitals sooner, giving physicians as well as patients and families a peace-of-mind at the end-of-life. Haven reiterates the need to decentralize hospice inpatient services by placing facilities into the areas of population and admissions growth--to ensure enhanced access.

Haven states that providing a second Haven Hospice-sponsored inpatient care center in Service Area 4A will ensure hospice patients can access inpatient beds when they need them, more conveniently and closer to their homes and families.

In Item E.1.b of this report, Haven previously discussed travel distances and travel time to nearby inpatients hospice facilities and that its nearest freestanding inpatient hospice facility (to the proposed site) is 26 miles (35 minutes) at the Custead Center in Orange Park (Clay County). Haven contends that multiple sites will serve distinct areas with accessibility not currently available.

Haven asserts that as health care costs continue to increase, it is clear that access to all types of hospice services, especially freestanding inpatient facilities, must be supported.

- b. Does the applicant have a history of providing quality of care? Has the applicant demonstrated the ability to provide quality care? ss. 408.035(1)(c) and (j), Florida Statutes.**

North Central Florida Hospice, Inc. d/b/a Haven Hospice states having a long and exemplary history of providing quality of care. Haven Hospice is a 501(c) 3 community-based, not-for-profit organization, and is accredited by the Accreditation Commission for Health Care (ACHC), licensed by the Agency for Health Care Administration and is accredited as a Jewish Hospice by the National Institute for Jewish Hospice. Haven Hospice indicates being a provider of Medicare and Medicaid benefits, and is a member of Florida Hospices and Palliative Care, Inc., as well as a member of, and a Quality Partner with, the National Hospice and Palliative Care Organization.

The applicant provided a detailed description of its ability to provide quality hospice care (pages 44 – 49 of the application) as well as a brief review of Haven’s history, 1979 through 2015 (pages 50 – 54 of the application).

Agency records indicate that statewide, the applicant had three substantiated complaints in five complaint categories during the three-year period ending May 20, 2015. A single complaint can encompass multiple complaint categories. The table below has these listed by complaint categories.

Substantiated Complaint Categories in the Past 36 Months	
Complaint Category	Number Substantiated
Administration/Personnel	1
Quality of Care/Treatment	1
Infection Control	1
Nursing Services	1
Resident/Patient/Client Rights	1

Source: Florida Agency for Health Care Administration Complaint Records

Haven Hospice demonstrates the ability to provide quality care.

- c. What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.035(1)(d), Florida Statutes.**

Analysis:

The purpose of our analysis for this section is to determine if the applicant has access to the funds necessary to fund this and all capital projects. Our review includes an analysis of the short and long-term

CON Action Number: 10371

position of the applicant, parent, or other related parties who will fund the project. The analysis of the short and long-term position is intended to provide some level of objective assurance on the likelihood that funding will be available. The stronger the short-term position, the more likely cash on hand or cash flows could be used to fund the project. The stronger the long-term position, the more likely that debt financing could be achieved if necessary to fund the project. We also calculate working capital (current assets less current liabilities) a measure of excess liquidity that could be used to fund capital projects.

Historically we have compared all applicant financial ratios regardless of type to benchmarks established from financial ratios collected from Florida acute care hospitals. While not always a perfect match to a particular CON project it is a reasonable proxy for health care related entities.

Below is an analysis of the audited financial statements for the applicant, and where the short-term and long-term measures fall on the scale (highlighted in gray) for the most recent year.

CON application #10371 North Central Florida Hospice, Inc.		
	Dec-14	Dec-13
Current Assets	\$31,841,837	\$30,814,277
Total Assets	\$67,516,285	\$66,205,247
Current Liabilities	\$8,062,900	\$9,717,414
Total Liabilities	\$18,053,444	\$20,146,122
Net Assets	\$49,462,841	\$46,059,125
Total Revenues	\$59,622,087	\$61,654,485
Excess of Revenues Over Expenses	\$1,616,242	\$2,408,254
Cash Flow from Operations	(\$892,977)	\$7,179,763
Short-Term Analysis		
Current Ratio (CA/CL)	3.9	3.2
Cash Flow to Current Liabilities (CFO/CL)	-11.08%	73.89%
Long-Term Analysis		
Long-Term Debt to Net Assets (TL-CL/NA)	20.2%	22.6%
Total Margin (ER/TR)	2.71%	3.91%
Measure of Available Funding		
Working Capital	\$23,778,937	\$21,096,863

CON Action Number: 10371

Position	Strong	Good	Adequate	Moderately Weak	Weak
Current Ratio	above 3	3 - 2.3	2.3 - 1.7	1.7 - 1.0	< 1.0
Cash Flow to Current Liabilities	>150%	150%-100%	100% - 50%	50% - 0%	< 0%
Debt to Equity	0% - 10%	10%-35%	35%-65%	65%-95%	> 95% or < 0%
Total Margin	> 12%	12% - 8.5%	8.5% - 5.5%	5.5% - 0%	< 0%

Capital Requirements and Funding:

On Schedule 2, the applicant indicates capital projects totaling \$10,911,054 which includes \$7,911,054 for this project. The applicant indicates on Schedule 3 of its application that funding for the project will be provided by cash on hand and invested reserves. With \$23.8 million in working capital, the applicant has sufficient resources on hand to fund this and all capital projects listed.

Staffing:

Schedule 6 indicates, by December 31, 2018 (year one of operation), a total of 42.2 FTEs and by December 31, 2019 (year two of operations), a total of 49.8 FTEs. See the table below.

**Haven Hospice – CON application #10371
Proposed 24-Bed Freestanding Inpatient Hospice Facility in
Hospice Service Area 4A
Year One and Year Two**

Staff Positions	Year One Ending 12/31/2018	Year Two Ending 12/31/2019
Administration		
Administrator	0.7	0.5
Director of Nursing	1.0	1.1
Bookkeeper	0.5	0.6
Secretary	1.9	2.2
Medical Records Clerk	0.2	0.3
Other: Marketing	1.9	2.2
Physicians		
Unit Medical Director	0.5	0.6
Other	0.5	0.6
Nursing		
RNs	12.1	14.0
LPNs	4.8	5.6
Nurses' Aides	12.5	14.4
Other	1.9	2.2
Ancillary		
Respiratory Therapist	0.5	0.6
Dietary		
Dietary Supervisor	0.1	0.2
Cooks	1.3	1.4
Social Services		
Social Service Unit Director/MSW	0.5	0.6
Chaplain	0.2	0.3
Bereavement Counselors	0.2	0.3
Housekeeping		
Housekeeping Supervision	0.3	0.3
Housekeepers	1.0	1.1
Plant Maintenance		
Maintenance Supervisor	0.1	0.1
Maintenance Assistant	0.5	0.6
Grand Total	42.2*	49.8

Source: CON application #10371, Schedule 6

NOTES: * The reviewer notes that the year one grand total is arithmetically 43.2 FTEs.

Assumptions to Schedule 6 indicate that the staffing pattern and number of FTEs are based on the management's experience and forecasted admissions and patient days. Assumptions further indicate that contract arrangements are expected to be utilized for rehabilitative/palliative therapy services (which are not expected to be significant).

Conclusion:

Funding for this project and the entire capital budget should be available as needed.

- d. **What is the immediate and long-term financial feasibility of the proposal? ss. 408.035 (1)(f), Florida Statutes.**

Analysis:

The immediate and long-term financial feasibility of the project is tied to expected profitability. Profitability for hospice is driven by two factors, volume of patients and length of stay/condition of the patient. A new hospice program in a service area with published need is more likely than not to be financial feasible since patient volume and mix is presumed to be available in sufficient amounts to sustain a new program. The focus of our review will be on the reasonableness of projections, specifically the revenue.

The vast majority of hospice days are paid by Medicare (Medicaid is the next largest payer with similar reimbursement rates). As such, revenue is predictable by day and service type. Schedule 7 includes revenue by service type. We have divided the applicant's projected revenues by the estimated Medicare reimbursement rates for each level of service in year two to estimate the total patient days that would be generated by that level of revenue. The results were then compared to the applicant's estimated number of patient days. Calculated patient days that approximate the applicant's projected patient days are considered reasonable and support the applicant's assumptions of feasibility. Calculated patient days that vary widely from the applicant's projected patient day's call into question the applicant's profitability assumptions and feasibility. The results of the calculations are summarized below.

HOSPICE REVENUE (Year 2) TABLE 1

CON application #10371

North Central Florida Hospice, Inc. d/b/a Haven Hospice

County: Duval

Year Two: Dec-19

CON application #10371	North Central Florida Hospice, Inc. d/b/a Haven Hospice				
Duval	Wage Component	Wage Index	Adjusted Wage Amount	Unadjusted Component	Payment Rate
Base Rate Calculation					
Routine Home Care	\$109.48	0.9039	\$98.96	\$49.86	\$148.82
Continuous Home Care	\$638.94	0.9039	\$577.54	\$290.97	\$868.51
Inpatient Respite	\$89.21	0.9039	\$80.64	\$75.60	\$156.24
General Inpatient	\$453.68	0.9039	\$410.08	\$255.09	\$665.17
Year Two Comparison					
Year Two Comparison	Inflation Factor Year Two	Inflation Adjusted Payment Rate	Schedule 7 Revenue Year 2	Continuous Service Hours Provided	Calculated Patient Days
Routine Home Care	1.110	\$165.24	\$81,400		493
Continuous Home Care	1.110	\$964.33	\$0	24	0
Inpatient Respite	1.110	\$173.48	\$0		0
General Inpatient	1.110	\$738.56	\$4,099,900		5,551
Total			\$4,181,300		6,044
			Days from Schedule 7		6,106
			Difference		62
			Percentage Difference		1.02%

The applicant’s projected patient days are 1.02 percent or 62 days more than the calculated patient days. Operating profits from this project are expected to increase from an operating loss of \$80,593 for year one to an operating profit of \$376,377 for year two.

Conclusion:

This project appears to be financially feasible.

- e. Will the proposed project foster competition to promote quality and cost-effectiveness? ss. 408.035(1)(g), Florida Statutes.**

Analysis:

The type of competition that would result in increased efficiencies, service, and quality is limited in health care in general and in hospice specifically. Cost-effectiveness through competition is typically achieved via a combination of competitive pricing that forces more efficient cost to

remain profitable and offering higher quality and additional services to attract patients from competitors. Since Medicare and Medicaid are the primary payers in hospice, price-based competition is almost non-existent. With the revenue stream essentially fixed on a per patient basis, the available margin to increase quality and offer additional services is limited. In addition, competitive forces truly do not begin to take shape until existing business' market share is threatened. The publication of need in this area suggests that there is an unmet and untapped customer base for a new entrant to absorb thus potentially delaying any immediate impact on competition. This service area only has one existing provider so approval of this application will, by definition, introduce competition to the market for the first time. However, given the existing barriers to price-based competition it is not clear that a new entrant will have a material impact on quality and cost-effectiveness.

Conclusion:

This project is not likely to have a material impact on competition to promote quality and cost-effectiveness.

f. Are the proposed costs and methods of construction reasonable? Do they comply with statutory and rule requirements? ss. 408.035 (1)(h), Florida.

The applicant has submitted all information and documentation necessary to demonstrate compliance with the architectural review criteria. The cost estimate for the proposed project provided in Schedule 9, Table A and the project completion forecast provided in Schedule 10 appear to be reasonable. A review of the architectural plans, narratives and other supporting documents did not reveal any deficiencies that are likely to have significant impact on either construction costs or the proposed completion schedule.

Construction type is not listed; however architectural narrative indicates the building materials to provide non-combustible requirements, and will be in-compliant with the required codes.

The plans submitted with this application were schematic in detail with the expectation that they will be necessarily revised and refined prior to being submitted for full plan review. The architectural review of this application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the applicant owner.

- g. Does the applicant have a history of providing health services to Medicaid patients and the medically indigent? Does the applicant propose to provide health services to Medicaid patients and the medically indigent? ss. 408.035(1)(i), Florida Statutes.**

Hospice programs are required by federal and state law to provide hospice patients with inpatient care when needed (42 Code of Federal Regulations 418.108). Hospice care also must be provided regardless of ability to pay.

North Central Florida Hospice, Inc. d/b/a Haven Hospice states having a policy and history of providing care to all patients in need of care regardless of payer source or ability to pay for services, including Medicaid patients and the medically indigent. According to Haven, its hospice services are available to patients and families, regardless of age, race, religion, sexual preference, diagnosis, financial status or ability to pay. The applicant also provides a non-discrimination policy (Volume 2, Tab 4 of the application).

Haven provides its Medicaid and indigent/charity care patient days for its FY 2013 and FY 2014. See the table below.

**Haven Hospice's Medicaid and Indigent/Charity Care Patient Days
FY 2013 and FY 2014**

	2013	2014
Medicaid	14,354	12,157
Indigent/Charity	2,376	7,076

Source: CON application #10371, page 72

The applicant indicates that while Haven Hospice receives the majority of its reimbursement from Medicare and Medicaid, private insurance companies also provide hospice care to their enrollees. Haven states that for many, these companies pay for only nursing and social worker visits and the patients are not themselves able to pay for all their medications, oxygen, home medical equipment, etc. The applicant concludes that generous community support and internal cost savings measures such as the proposed project allow Haven to provide care to the medically indigent and many extra programs and services to patients and families in need throughout the service area.

The applicant's Schedule 7A shows the following projections for year one and year two anticipated patient days and payer mix estimates for year one and year two.

Projected Patient Days and Payor Mix for Year One Ending 12/31/2018 and Year Two Ending 12/31/2019				
Payer	Year One Ending 12/31/2018 Patient Days	Year One Percentage	Year Two Ending 12/31/2019 Patient Days	Year Two Percentage
Medicare	5,016	96.72%	5,908	96.72%
Self-Pay	68	1.31%	80	1.31%
Commercial Insurance	63	1.21%	72	1.21%
Medicaid Managed Care	39	0.75%	46	0.75%
Total	5,186	100.0%*	6,106	100.0%**

Source: CON application #10371, Schedule 7A

NOTES: * and ** The reviewer notes that the arithmetic calculation is 99.99 percent for year one and year two. The difference is likely due to rounding.

Assumptions to Schedule 7A offer the following forecasted revenues based on the levels of utilization (as days) by type of service.

Total Patient Days by Payor

	Percentage	Year One	Year Two
Medicare	85.00%	5,106	5,908
Medicaid Managed Care	7.00%	39	46
Charity (including Self Pay on Schedule 7)	2.00%	60	70
Insurance	5.00%	63	72
Self-Pay	1.00%	8	10
Total		5,186*	6,106

Source: CON application #10317, Schedule 7A-Assumptions

NOTES: * The reviewer notes that this arithmetic total is 5,276.

The reviewer notes that the payer percentages shown in Schedule 7A and the payer percentages shown in the Schedule 7A assumption table differ.

The applicant proposes no Medicaid or charity care conditions.

F. SUMMARY

North Central Florida Hospice, Inc. d/b/a Haven Hospice

(CON application #10371), a 501(c) 3, community-based, Florida not-for-profit corporation, proposes to establish a 24-bed freestanding inpatient hospice facility in Hospice Service Area 4A. The proposed facility location is in the general vicinity of the Town of Nocatee, near the Nocatee Parkway (CR 210), where it passes through extreme Southeastern Duval County, within ZIP Code 322565.² Haven Hospice projects issuance of license in December 2017 and initiation of service in January 2018.

² The reviewer notes that this is a six digit number. The first five digits of this ZIP Code (32256) also appear on page 22 of the application as a primary area for the proposed project to serve.

The total project cost is \$7,911,054. Construction costs are \$3,428,740 and the project will involve 18,046 GSF.

The applicant offers no condition(s) on the proposed project.

Need/Access:

- The Agency does not publish need for inpatient hospice beds. There are currently four operational freestanding inpatient hospice facilities with 88 beds and no CON approved freestanding hospice inpatient beds in Hospice Service Area 4A
- The applicant contends that population growth projections, tremendous growth in patient days/inpatient days and inconvenience in cross-town travel for a short stay, especially within a large and growing metropolitan area like greater Jacksonville, justify the proposed project
- The applicant presents the project as a cost-effective alternative to the use of contractual arrangements with existing hospitals in the service area. Haven substantiates its contentions with financial figures related to its contractual services and contrasts these with projected outflows resulting from the proposed project. If the applicant's projections are realized, the proposed project would likely promote cost-effective hospice care. However, the applicant failed to include contractual arrangements with nursing homes in its analysis
- The applicant contends the project will improve the availability, quality of care and accessibility of hospice services, particularly for extreme south/southeastern Duval County and northern St. Johns County residents. Haven also contends that area physicians may be reluctant to discharge patients home due to their conditions and may therefore keep patients in acute care facilities longer, whereas discharge to a freestanding inpatient hospice facility would be a more preferred and more advantageous arrangement for patients, their families, hospitals, nursing homes and the applicant
- Existing scatter bed arrangements with area hospitals and nursing home facilities do not always guarantee sufficient beds to accommodate demand and also lack the continuity of care and quality of care that can be provided in the freestanding inpatient hospice setting

Quality of Care:

- The applicant provides a detailed description of its ability to provide quality hospice care
- Agency records indicate that statewide, the applicant had three substantiated complaints in five complaint categories during the three-year period ending May 20, 2015

Financial Feasibility/Availability of Funds:

- The applicant has an overall strong short-term position and an overall strong long-term position
- Funding for the project should be available as needed
- The project appears to be financially feasible
- The project is not likely to result in price-based competition

Medicaid/Indigent/Charity Care:

- Hospice programs are required by law to provide services to all who seek them
- The applicant is projecting that Medicaid Managed Care will comprise 0.75 percent of total patient days in year one and two of the proposed project. Self-pay care is estimated at 1.31 percent of total patient days in both years

Architectural:

- The cost estimate and the project completion forecast appear to be reasonable. A review of the architectural plans, narratives and other supporting documents did not reveal any deficiencies that are likely to have a significant impact on either construction costs or the proposed completion schedule

G. RECOMMENDATION

Approve CON #10371 to establish a 24-bed freestanding inpatient hospice facility in Duval County, District 4, Hospice Service Area 4A. The total project cost is \$7,911,054. The project involves 18,046 GSF of new construction and a construction cost of \$3,428,740.

AUTHORIZATION FOR AGENCY ACTION

Authorized representatives of the Agency for Health Care Administration adopted the recommendation contained herein and released the State Agency Action Report.

DATE: _____

Marisol Fitch
Health Services and Facilities Consultant Supervisor
Certificate of Need